

Supreme Court, U. S.  
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IN THE  
**Supreme Court of the United States**

OCTOBER TERM 1978

No. \_\_\_\_\_

**78-26**

PETER M. ROBERTS,

*Respondent,*

vs.

SEARS, ROEBUCK AND CO.,

*Petitioner.*

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**PETITION OF SEARS, ROEBUCK AND CO. FOR WRIT  
OF CERTIORARI TO THE UNITED STATES COURT  
OF APPEALS FOR THE SEVENTH CIRCUIT.**

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BURTON Y. WEITZENFELD,  
ARTHUR L. KLEIN,  
PETER D. KASDIN,

75th Floor—Sears Tower,  
Chicago, Illinois 60606,  
876-7100,

*Counsel for Petitioner.*

ARNSTEIN, GLUCK, WEITZENFELD,  
& MINOW,

75th Floor—Sears Tower,  
Chicago, Illinois 60606,  
876-7100,

*Of Counsel.*

## TABLE OF CONTENTS.

	PAGE
Table of Cases, Statutes and Other Authorities .....	i
Opinion Below .....	1
Statutes Involved .....	1
Jurisdictional Statement .....	4
Questions Presented for Review .....	4
Nature of the Case .....	4
Argument .....	8
I. The Decision Below Conflicts with Federal Law and Contravenes Federal Policy Under the United States Patent Laws .....	8
II. Plaintiff's Patent Is Invalid as a Matter of Law ..	18
III. The Decision of the Court of Appeals Below Contravenes the Law of Illinois .....	23
IV. Defendant Was Denied a Fair Trial .....	24
Conclusion .....	25

### TABLE OF CASES, STATUTES AND OTHER AUTHORITIES.

#### *Cases.*

All Steel Engines, Inc. v. Taylor Engines, Inc., 88 F. Supp. 745 (N. D. Cal. 1950), <i>aff'd.</i> , 192 F. 2d 171 (9 Cir. 1951) .....	15
Amphenol Corp. v. General Time Corp., 397 F. 2d 431 (7 Cir. 1968) .....	19
AR, Inc. v. Electro-Voice, Inc., 311 F. 2d 508 (7 Cir. 1962) .....	22
Beckman Instruments, Inc. v. Technical Development Corp., 433 F. 2d 55 (7 Cir. 1970), <i>cert. denied</i> , 401 U. S. 976 (1971) .....	14, 15, 16

Blonder-Tongue Labs, Inc. v. University of Illinois Foundation, 402 U. S. 313, 28 L. Ed. 2d 788 (1971).....	10, 11
Catalano v. Kawneer Co., Inc., 185 USPQ 456 (N. D. Ill. 1975) .....	20
Chicago Rawhide Mfg. Co. v. Crane Packing Co., 523 F. 2d 452 (7 Cir. 1975), <i>cert. denied</i> , 423 U. S. 1091 (1976) .....	23
Connelly v. Bartlett, 286 Mass. 311, 190 N. E. 799 (1934) ..	24
Deep Welding, Inc. v. Sciaky Bros., Inc., 417 F. 2d 1227 (7 Cir. 1969), <i>cert. denied</i> , 397 U. S. 1037 (1970) ..	20, 23
D. M. Sechler Carriage Co. v. Deere & Mansur Co., 113 F. 285 (7 Cir. 1902).....	15
Dynatech Corp. v. Frigitronics, Inc., 318 F. Supp. 851 (D. Conn. 1970).....	15
E. T. Industries, Inc. v. Whitlaker Corp., 183 USPQ 690 (N. D. Ill. 1974), <i>rev'd on other grounds</i> , 523 F. 2d 636 (7 Cir. 1975).....	20
Finn v. Monk, 403 Ill. 167, 85 N. E. 2d 701 (1949).....	23
Gettelman Mfg. Inc. v. Lawn 'N' Sport Power Mower Sales & Service, Inc., 517 F. 2d 1194 (7 Cir. 1975).....	21
Good Brothers, Inc. v. Banowitz, 269 F. 2d 197 (7 Cir. 1959) .....	24
Graham v. John Deere Co., 383 U. S. 1, 15 L. Ed. 2d 545 (1966) .....	22
Great A & P Tea Co. v. Supermarket Equipment Co., 340 U. S. 147, 95 L. Ed. 162 (1950).....	22
Green v. LeClair, 24 F. 2d 74 (7 Cir. 1928).....	15
Hartford National Bank & Trust Co. v. Henry L. Crowley & Co., 219 F. 2d 568 (3 Cir. 1955).....	15

Henry Mfg. Co., Inc. v. Commercial Filters Corp., 489 F. 2d 1008 (7 Cir. 1972) .....	23
Heywood-Wakefield Co. v. Small, 96 F. 2d 496 (1 Cir. 1938) .....	15
Hobbs v. Wisconsin Power & Light Co., 250 F. 2d 100 (7 Cir. 1957), <i>cert. denied</i> , 356 U. S. 932 (1958)...	23
Hook v. Hook & Ackerman, Inc., 187 F. 2d 52 (3 Cir. 1951) .....	15
Hoover Co. v. Mitchell Mfg. Co., 269 F. 2d 795 (7 Cir. 1959) .....	9
Jones v. Foster, 175 Ill. 459, 51 N. E. 862 (1898).....	24
Kenyon v. Automatic Instrument Co., 160 F. 2d 878 (6 Cir. 1947) .....	15
Kewanee Oil Corp. v. Bicron Corp., 416 U. S. 470 (1974) ..	17
Lear, Inc. v. Adkins, 395 U. S. 653, 23 L. Ed. 2d 610 (1969) .....	7, 8, 9, 11, 12, 14, 15, 16, 17
Maclaren v. B-I-W Group, Inc., 535 F. 2d 1367 (2 Cir. 1976), <i>cert. denied</i> , 429 U. S. 1001 (1977).....	22
Marasco v. Compro Shoe Machinery Corp., 325 F. 2d 695 (1 Cir. 1963), <i>cert. denied</i> , 377 U. S. 924 (1964) ..	20
Meenehan v. Rosenfield, 236 Ill. App. 4 (1925).....	24
Monroe Auto Equipment Co. v. Heckethorn Mfg. & Supply Co., 332 F. 2d 406 (6 Cir. 1964), <i>cert. denied</i> , 379 U. S. 888 (1964).....	20
NCR Corp. v. Eastman Kodak Co., 191 USPQ 194 (N. D. Ill. 1976) .....	21, 23
Panduit Corp. v. Burndy Corp., 517 F. 2d 535 (7 Cir. 1975), <i>cert. denied</i> , 423 U. S. 987 (1975).....	21
Pederson v. Stewart-Warner Corp., 536 F. 2d 1179 (7 Cir. 1976), <i>cert. denied</i> , 429 U. S. 985 (1976).....	21

Popeil Brothers, Inc. v. Schick Electric, Inc., 494 F. 2d 162 (7 Cir. 1974) .....	9, 21
Ropat Corp. v. West Bend Co., 382 F. Supp. 1030 (N. D. Ill. 1974) .....	20
Sakraida v. Ag Pro, Inc., 425 U. S. 273, 47 L. Ed. 2d 789 (1976) .....	21
Scott Paper Co. v. Marcalus Mfg. Co., Inc., 326 U. S. 249, 90 L. Ed. 47 (1945) .....	12
Senco Products, Inc. v. Fastener Corp., 269 F. 2d 33 (7 Cir. 1959), <i>cert. denied</i> , 361 U. S. 932 (1960) .....	23
Shelco, Inc. v. Dow Chemical Co., 466 F. 2d 613 (7 Cir. 1972), <i>cert. denied</i> , 409 U. S. 876 (1972) .....	20
Sinclair Refining Co. v. Jenkins Petroleum Process Co., 99 F. 2d 9 (1 Cir. 1938), <i>cert. denied</i> , 305 U. S. 659 (1939) .....	12, 21
Simmons Co. v. Hill-Rom Co., 352 F. 2d 886 (7 Cir. 1965) .....	22
Skil Corp. v. Lucerne Products, Inc., 503 F. 2d 745 (7 Cir. 1974), <i>cert. denied</i> , 420 U. S. 974 (1975) .....	21
Struve v. Tatge, 285 Ill. 103, 120 N. E. 549 (1918) ...	24
Waterman v. Mackenzie, 138 U. S. 252, 34 L. Ed. 923 (1891) .....	15
Yates v. Cummings, 4 Ill. App. 3d 899, 282 N. E. 2d 281 (1972) .....	23
<i>Statutes.</i>	
35 U. S. C. § 102 .....	8
35 U. S. C. § 103 .....	21
35 U. S. C. § 271 .....	8
<i>Other Authorities.</i>	
2 Walker on Patents, § 105 (Deller's 2d Ed. 1964) .....	22

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**OPINION BELOW.**

The opinion of the United States Court of Appeals for the Seventh Circuit is not yet officially reported. It is reprinted in the Appendix to this Petition, commencing at page A1.

**STATUTES INVOLVED.**

Consideration of three United States statutes is required: 35 U. S. C. §§ 102, 103, and 271. These statutes are set out *verbatim* immediately below:

§ 102. CONDITIONS FOR PATENTABILITY; NOVELTY AND  
LOSS OF RIGHT TO PATENT.

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in  
this country, or patented or described in a printed



publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to con-

ception by the other. July 19, 1952, c. 950, § 1, 66 Stat. 797.

### § 103. CONDITIONS FOR PATENTABILITY; NON-OBVIOUS SUBJECT MATTER.

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made. July 19, 1952, c. 950, § 1, 66 Stat. 798.

### § 271. INFRINGEMENT OF PATENT.

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by

reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement. July 19, 1952, c. 950, § 1, 66 Stat. 811.

#### **JURISDICTIONAL STATEMENT.**

Judgment was entered by the United States Court of Appeals for the Seventh Circuit in this matter on April 3, 1978 (Appendix, p. A17). This Court has jurisdiction to review that judgment pursuant to 28 U. S. C. § 1254(1).

#### **QUESTIONS PRESENTED FOR REVIEW.**

1. May the holder of an invalid patent who sells the patent and receives the agreed purchase price from the purchaser thereafter recover \$1,000,000 upon a claim that the purchaser fraudulently acquired the invalid patent?<sup>1</sup>

2. Is a defendant who has been sued for damages and charged with defrauding another of a patent denied a fair trial where it is prevented from proving the invalidity and lack of value of the patent, even though the plaintiff is permitted to introduce evidence which purports to show the validity and value thereof?

#### **NATURE OF THE CASE.**

This diversity action involves a \$1,000,000 judgment rendered as compensation for use of an invalid patent and a circuit court decision which is in conflict with and, if permitted to

1. Plaintiff also charged defendant with breach of a confidential relationship and negligence. The argument here presented is equally applicable to these theories of recovery.

stand, would overrule several decisions of this and other circuit courts.

In September, 1965, plaintiff obtained a patent for a "quick release" for a socket wrench (PX 60, DX 27).<sup>2</sup> Two earlier patents had been issued on the same concept but were not cited by the Patent Office when it issued plaintiff's patent (PX 60, DX 27).<sup>3</sup> Defendant acquired the patent from plaintiff for \$10,000 pursuant to a written agreement.

Before he applied for the patent and commenced negotiations with defendant, plaintiff retained an attorney (T 208-209, 455-456). After plaintiff approached defendant, defendant's counsel conducted a patent search which disclosed 39 relevant prior art patents (DX 9). Although defendant's counsel, like the Patent Office, did not locate the crucial prior art Carpenter patent, defendant and its counsel nevertheless questioned the validity and scope of any patent which might ultimately issue to plaintiff (DX 8, 9, T 2146-2157)<sup>4</sup> and, in a letter to plaintiff's counsel that referred to and relied on this patent search and the opinion of its counsel, defendant offered plaintiff \$10,000 to acquire the patent (PX 34).<sup>5</sup>

2. The patent provides for the release of a socket from a ratchet handle by means of a push button. The symbol "PX" refers to plaintiff's exhibits at trial, "DX" to defendant's exhibits, "T" to the trial transcript, "R" to the record on appeal, "PB" to plaintiff's brief on appeal, "PAB" to plaintiff's answering brief on appeal, and "C" to plaintiff's Second Amended Complaint.

3. One of these earlier patents issued to Eugene R. Carpenter in 1928 and entered the public domain when it expired in 1945 (DX 29). The other patent issued to Victor E. Gonzalez in March, 1965 (DX 28). The Patent Office obviously missed these prior patents when it issued a patent to plaintiff.

4. Defendant principally relies upon the Carpenter patent here. Moreover, defendant did not then have and the patent opinion was rendered without the benefit of plaintiff's patent application (T 2147, 2156-2157).

5. Defendant's concern was real, for in 1968 it was threatened with a patent infringement lawsuit by Victor E. Gonzalez and it was required to purchase the Gonzalez quick release feature for hand wrenches (DX 16-18, T 2266-2273).

Plaintiff's lawyer submitted several counter proposals (PX 28, DX 1, 14, T 472, 481-482, 519-520, 697-704, 2227, 2237). Some of these proposals were accepted by defendant and incorporated in the agreement as ultimately executed (DX 14, T 2227). This attorney also recommended to plaintiff that plaintiff accept defendant's offer if he could not obtain a better price elsewhere (PX 27, T 322-323, 472-473). Plaintiff inquired elsewhere but could not obtain a better price (T 660, 685-686, 739).

On June 15, 1965, after further consultation with his lawyer and his father (T 521-526), plaintiff executed a formal written agreement under which he agreed to assign his patent to defendant after payment of a \$10,000 royalty. Only after the patent subsequently issued to plaintiff and became public information did defendant begin to market the feature (PX 60, DX 27, T 1758). It thereafter discharged its royalty obligation to plaintiff under the agreement (PX 103, 110, 114, T 381-383).<sup>6</sup>

More than four years later plaintiff filed this lawsuit, charging that defendant had acquired the patent by means of fraud, breach of a confidential relationship and negligent misrepresentation. Defendant denied all material allegations of the complaint, denied that its conduct was wrongful or that plaintiff was damaged and pleaded as an affirmative defense that plaintiff's patent was invalid on the basis of prior art.

During the pretrial stage of the lawsuit, the District Court uniformly ruled on various occasions that the issue of patent invalidity was a basic one and that it would be tried first (R. 40, 56, 82).<sup>7</sup> Indeed, on one occasion the District Court specifi-

6. Sales of defendant's ratchet wrenches increased during the period 1965-1976. However, sales of defendant's unrelated hardware items increased also, and this sales growth was attributed by defendant to the growth of the amateur "do-it-yourself" homeowner market (T 1784-1798).

7. These rulings were rendered by the two District Court Judges to whom the case was initially assigned for extended periods of time before trial.

cally and correctly held that, if the patent was invalid, defendant was entitled to judgment in its favor as a matter of law under this Court's decision in *Lear, Inc. v. Adkins*, 395 U. S. 653, 23 L. Ed. 2d 610 (1969) (R. 40).

However, the case was reassigned to a new District Judge shortly before the trial. When the trial began, this Judge ignored these earlier rulings and, while receiving evidence from plaintiff regarding prior art and the value of the patent (T 195-198, 302-303, 378-380, 736-738, 1441-1443, 1448, 1463, 1513-1516, 1517-1518, 1521, 1529, 2302), erroneously *refused* to receive defendant's evidence of relevant prior art and patent invalidity (T 2409-2413, 2416, 2425-2429, 2460-2470, 2594, 2600-2606, 2615, 2747-2749). Thus, the trial court erroneously excluded from evidence not only the crucial prior art Carpenter patent (DX 29, 37, T 2409-2413, 2416, 2425-2429, 2594, 2600) but also 7 other prior art patents that defendant knew of and relied upon when it negotiated its agreement with plaintiff (PX 20, 28, DX 8, 9, T 2600-2606, 2747-2749). The trial judge also refused to rule on the issue of patent invalidity (T 2567-2569, 2976) but nevertheless permitted plaintiff to argue to the jury that his patent was valid (T 3300, 3312-3314, 3316, 3322, 3330, 3331, 3337-3341).

Cross appeals were taken before the United States Court of Appeals for the Seventh Circuit. The Court of Appeals affirmed the \$1,000,000 judgment for plaintiff, inexplicably and incorrectly rejecting this Court's decision in *Lear, Inc. v. Adkins*, 395 U. S. 653, 23 L. Ed. 2d 610 (1969) and its progeny, and refusing to decide the fundamental issue of patent invalidity. It also remanded the matter for a determination of whether plaintiff may reacquire the patent by rescission of the agreement.<sup>8</sup> Because of the substantial changes in federal law and policy necessarily wrought by this decision, including the rejection of

8. It is clear that, upon rescission of the agreement and return of the patent, plaintiff will assert the invalid patent against defendant and others (R. 33, 152, PB 18, 19).



this Court's *Lear* doctrine, defendant earnestly and respectfully petitions for a writ of certiorari.

### ARGUMENT.

#### I. The Decision Below Conflicts with Federal Law and Contravenes Federal Policy Under the United States Patent Laws.

As this Court observed in *Lear, Inc. v. Adkins*, 395 U. S. 653, 23 L. Ed. 2d 610 (1969), it is basic that one who obtains an invalid patent may not recover damages or royalties from one who uses such a patent. If a patent is invalidated by an expired prior patent, it is valueless because anyone may use the structure without a patent under the express provisions of the Patent Act. 35 U. S. C. § 102. Likewise, if a patent is invalidated by an unexpired prior patent, it is equally valueless because, under the Patent Act, no one other than the prior patentee, his assigns or licensees may legally commercialize or use the structure. 35 U. S. C. § 271. Therefore, if plaintiff's patent is invalid, and it is, defendant paid him \$10,000 for something of no legal worth, plaintiff could not have been damaged as a matter of law and the award to him of \$1,000,000 for use of the invalid patent contravenes established law.

The purpose of the patent statutes is to award the inventor of a patentable invention with a monopoly that excludes all competitors for a limited period of time. An equally important purpose of the patent laws is to assure that one cannot use an invalid patent to suppress the use of an idea on which he has no legal monopoly. But the Seventh Circuit has rendered a decision here that contravenes these well settled maxims, which are expressed in its own decisions, the decisions of other Circuits and, of even more importance, the decisions of this Court.

Here, the parties entered into an agreement under which defendant agreed to purchase and plaintiff agreed to sell his

patent. Both parties fully performed. Plaintiff assigned the patent to defendant and defendant paid plaintiff the agreed royalties. Yet, when plaintiff sued defendant for damages claiming fraud and that the patent was worth more than the royalties paid, defendant was denied the right to prove that the patent it purchased was invalid, legally worthless, and not even worth the \$10,000 that defendant paid for it.

However, if instead of entering into and fulfilling its obligations under the agreement, defendant had merely copied plaintiff's patent, plaintiff's only cause of action would have been one for infringement of the patent. Under those circumstances, defendant obviously could have raised the defense of patent invalidity and, since the patent is invalid, as will hereafter be shown, plaintiff could not have recovered damages from defendant. *Popeil Brothers, Inc. v. Schick Electric, Inc.*, 494 F. 2d 162 (7 Cir. 1974); *Hoover Co. v. Mitchell Mfg. Co.*, 269 F. 2d 795 (7 Cir. 1959).

So, too, defendant could have consummated the royalty agreement with plaintiff but, instead of paying the royalty, as it did, refused to honor the agreement. Under this alternative, too, defendant could have successfully defended any suit by plaintiff on the ground that the patent is invalid and again plaintiff would not have been entitled to damages. It plainly follows that, in the case at bar, plaintiff cannot recover damages either.

The foregoing propositions have long been recognized by this Court. Thus, in *Lear, Inc. v. Adkins*, 395 U. S. 653, 23 L. Ed. 2d 610 (1969), plaintiff patentee disclosed his idea to defendant before his patent issued, and under an express license agreement defendant contracted to pay him a royalty. Defendant marketed the idea but breached its agreement and refused to pay the agreed royalty on the basis that the patent was invalid, *even though the agreement specifically required royalty payments until the patent was declared invalid*. This Court nonetheless ruled that the agreement was of no moment

and that defendant could avoid the payment of *all* royalties, including those which had accrued before the declaration of invalidity, if the patent was invalid:

It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly. 395 U.S. 653, 663-664, 23 L.Ed.2d 610, 619 (citations omitted).

\* \* \* \*

*Surely the equities of the licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.*

\* \* \* \*

Nor can we accept a second argument which may be advanced to support [plaintiff's] claim to at least a portion of his post-patent royalties, regardless of the validity of the Patent Office grant. . . . Thus, it may be suggested that although [defendant] must be allowed to raise the question of patent validity in the present lawsuit, it must also be required to comply with its contract and continue to pay royalties until its claim is finally vindicated in the courts.

\* \* \* \*

[We] hold that [defendant] must be permitted to avoid the payment of *all* royalties accruing after [plaintiff's] 1960 patent issued if [defendant] can prove patent invalidity. 395 U. S. 653, 670-674, 23 L. Ed. 2d 610, 623-625 (emphasis added).

The *Lear* rationale was reiterated by this Court on several occasions, including *Blonder-Tongue Labs, Inc. v. University of Illinois Foundation*, 402 U. S. 313, 28 L. Ed. 2d 788 (1971) as follows:

Although recognizing the patent system's desirable stimulus to invention, we have also viewed the patent as a monopoly which, although sanctioned by law, has the economic consequences attending other monopolies. *A patent yielding returns for a device that fails to meet the congressionally imposed criteria of patentability is anomalous.* 402 U. S.

at 343, 28 L. Ed. 2d at 807 (emphasis added, footnote omitted).

If the *Lear* and *Blonder-Tongue* cases have any meaning or application, they must apply to the case at bar. As the defendant in *Lear*, this defendant executed an agreement and agreed to pay a royalty for a patent which it later determined was invalid. In *Lear*, the defendant was permitted to *avoid* its contractual obligations for the basic policy reason that this Court simply would not permit a patentee to extort any tribute whatsoever for an invalid patent. But unlike the defendant in *Lear*, this defendant did not avoid its contractual obligation. It honored the agreement and paid the full royalty. How can it be said that this defendant is in a less favorable position than the *Lear* defendant who breached its agreement? The bare statement of the proposition is its own refutation.

Nevertheless, the Court below erroneously concluded that *Lear* and *Blonder-Tongue* do not apply to this case because the equities here are not as "evenly balanced" as in *Lear* and because defendant is a patent owner, rather than a licensee.<sup>9</sup> What the Seventh Circuit has done is to create novel exceptions to *Lear* that simply do not exist.

Even if, contrary to the fact, it could be said that the equities are not as evenly balanced here as they were in *Lear*, where the defendant flagrantly breached its contract, the Seventh Circuit's limitation of *Lear* to a situation where equitable balance exists is directly contrary to both the holding and the express language of the *Lear* opinion. This Court clearly ruled in *Lear* that the relative equities of the parties were irrelevant in light of the overriding federal policy in favor of free competition as follows:

Surely the equities of the licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain. 395 U. S. 653, 670, 23 L. Ed. 2d 610, 623.

9. Defendant refers to the Court of Appeals Opinion, at page A9 of the Appendix.



So, too, in *Scott Paper Co. v. Marcalus Mfg. Co., Inc.*, 326 U. S. 249, 90 L. Ed. 47 (1945), this Court ruled that Federal policy must always prevail, regardless of so-called equitable balance:

The interest in private good faith is not a universal touchstone which can be made the means of sacrificing a public interest secured by an appropriate exercise of the legislative power. 326 U. S. 249, 257, 90 L. Ed. 47, 52.

Similarly, numerous other federal decisions, both prior and subsequent to *Lear*, including those of the Seventh Circuit, clearly confirm that the distinctions relied upon by the opinion below do not exist. Inexplicably, these decisions, although cited by defendant in its briefs below, are not even mentioned in the Seventh Circuit's opinion.

Significantly, for example, the broad federal policy expressed in *Lear* that there can be no recovery based upon an invalid patent was confirmed as early as *Sinclair Refining Co. v. Jenkins Petroleum Process Co.*, 99 F. 2d 9 (1 Cir. 1938), *cert. denied*, 305 U. S. 659 (1939), where the Court of Appeals applied this doctrine in favor of a patent owner and irrespective of equitable balance.

In that case, strikingly similar to the one at bar, defendant entered into a contract with plaintiff whereunder plaintiff licensed defendant to use his patent, and defendant agreed to assign any improvement patent to plaintiff. Defendant obtained an improvement patent but *inequitably refused* to honor its agreement to assign its patent to plaintiff. Plaintiff sued defendant for breach of contract and defendant, *owner* of the patent, interposed, as an affirmative defense, the invalidity of its patent. Like the trial court here, the trial court there excluded defendant's evidence of prior art and refused to rule on the invalidity of defendant's own patent. A jury returned a \$2,000,000 verdict in favor of plaintiff. But the Court of Appeals reversed the judgment and rejected the trial court ruling that defendant could not interpose the invalidity of its patent as a defense. Instead,

the Court of Appeals ruled that prior art invalidating defendant's own patent was improperly excluded from evidence, that defendant's patent was invalid as a matter of law, that the invalidity of the patent rendered it valueless, and that, because the patent was invalid, plaintiff was not and could not have been damaged:

... *The two features in the . . . patent . . . were both old and left nothing of value in the . . . patent to be assigned to the plaintiff* under the letter-contract in suit hereinafter referred to. Therefore, even if the improvements claimed by the plaintiff had been assigned in accordance with the letter-contract, they could have added nothing of value to the [plaintiff's] patent, and the *failure to assign them deprived the plaintiff of nothing of value. . . . Hence, the actual damage suffered by the plaintiff through the failure to assign to it the [patent] in accordance with the letter-contract . . . could not have been more than nominal*, even assuming the so-called improvements claimed by the plaintiff were the result of the [patentee's] engineers and experts familiarizing themselves with the [plaintiff's] still under the contract . . . *Id.* at 12.

Unless the plaintiff has some effective reply, which we do not find in the record, to the defendant's contention that the use of [the patent] had long been anticipated by the [prior art] and was in the public domain, *the . . . patent must be held invalid.*

While some evidence of the prior art was admitted for the purpose of showing the state of the art in 1916, if all the evidence of the prior art offered by the defendant had been admitted showing anticipation . . . of the . . . patent, and to show the scope of the . . . patent, the *prima facie* evidence of validity of the . . . patent would have been destroyed and *the District Court must then have instructed the jury that the . . . patent issued in 1918 was invalid. Id.* at 13 (emphasis added).

Thus, the First Circuit in *Sinclair* held both that a defendant could challenge the validity of its *own* patent and that it could do so regardless of equitable balance. The Court also ruled the patent invalid as a matter of law and vacated plaintiff's damage award. To say the least, the opinion below is in hopeless conflict with this long standing decision.

Moreover, the Seventh Circuit's assertion that defendant is estopped to assert the invalidity of the patent, and that *Lear* does not apply to this defendant, because it holds an assignment of the patent is contrary not only to the holding in *Sinclair*, thus creating a conflict between the circuits, but is also contrary to the Seventh Circuit's own decisions. In *Beckman Instruments, Inc. v. Technical Development Corp.*, 433 F. 2d 55 (7 Cir. 1970), *cert. denied*, 401 U. S. 976 (1971), the Seventh Circuit itself unequivocally rejected the argument that *Lear* did not apply to an *exclusive licensee*, stating:

We reject the argument. Even if the failure to distinguish between exclusive and nonexclusive licenses was an oversight [in *Lear*], we are not convinced that the Supreme Court would rule differently on the facts of this case. Nor can we say that the distinction which the defendants suggest is so great as to require a limitation on the *Lear* rule, especially in light of the "strong federal policy favoring free competition in ideas which do not merit patent protection."

\* \* \* \* \*

... [T]he whole purpose of this suit is to show that [the inventor] in fact invented nothing and that plaintiff was paying for the use of unpatentable ideas. Moreover, substantially similar arguments as the defendants make were rejected by the Court in *Lear*. 433 F. 2d at 58 (citations omitted).

It is, of course, well settled that an exclusive license is usually tantamount to an assignment and an exclusive licensee

is in the same position as an owner of a patent.<sup>10</sup> *Waterman v. Mackenzie*, 138 U. S. 252, 34 L. Ed. 923 (1891); *Heywood-Wakefield Co. v. Small*, 96 F. 2d 496 (1 Cir. 1938); *Dynatech Corp. v. Frigitronics, Inc.*, 318 F. Supp. 851 (D. Conn., 1970); *All Steel Engines, Inc. v. Taylor Engines, Inc.*, 88 F. Supp. 745 (N. D. Cal., 1950), *aff'd*, 192 F. 2d 171 (9 Cir. 1951); *D. M. Sechler Carriage Co. v. Deere & Mansur Co.*, 113 F. 285 (7 Cir. 1902); *Green v. LeClair*, 24 F. 2d 74 (7 Cir. 1928); *Kenyon v. Automatic Instrument Co.*, 160 F. 2d 878 (6 Cir. 1947); *Hook v. Hook & Ackerman, Inc.*, 187 F. 2d 52 (3 Cir. 1951); *Hartford National Bank & Trust Co. v. Henry L. Crowley & Co.*, 219 F. 2d 568 (3 Cir. 1955). It is clear from these decisions that the *Lear* doctrine applies in favor of this defendant and that the distinctions imposed by the Seventh Circuit are contrary to law.

The Court of Appeals apparently recognized the dilemma created by its decision, for it implicitly concedes that, if plaintiff's patent is invalid, defendant did not obtain the monopoly that plaintiff purported to sell. In an effort to avoid this dilemma, the Court of Appeals sets forth the most novel proposition that defendant obtained a monopoly "in fact" when it acquired plaintiff's invalid patent (Opinion, p. A7 of the Appendix). But this unique theory is also contrary to *Lear*.

Thus, the language quoted by the Seventh Circuit from *Lear* that "the existence of an unchallenged patent may deter others from attempting to compete with the licensee" (Opinion, p. A7) was merely a hypothetical proposition, which was immediately followed by this Court's *holding* that the proposition, if true, was simply *irrelevant* in light of the overriding federal policy that

10. An exclusive license to make, use and sell an invention is an assignment under the law. The *Beckman* opinion does not report the provisions of the exclusive license in that case. However, the nature of the argument in that case implies that the exclusive license was an assignment.

there may be no recovery based upon an invalid patent (395 U. S. 670-671). Evidently, the Seventh Circuit misapprehended the *Lear* opinion.

Moreover, the Seventh Circuit itself previously rejected this so-called monopoly "in fact" theory in *Beckman Instruments, Inc. v. Technical Development Corp.*, 433 F. 2d 55 (7 Cir. 1970), *cert. denied*, 401 U. S. 976 (1971), when it ruled as follows:

Defendants attempt to distinguish the doctrines of licensee estoppel and estoppel by marking by suggesting that the former is based on principles of contract law, while the latter has its basis in equity. But defendants' arguments in support of each of these doctrines sound very similar, namely, that it is unfair for licensees to use the patent and accept the benefits of the license and then attack the validity of the patent. However, the Supreme Court in *Lear* rejected such arguments when applied to the licensee estoppel doctrine, and we think the Court's reasoning extends to the doctrine of estoppel by marking as well. *Defendants have not suggested any reason why the 'strong federal policy' in favor of encouraging challenges to invalid patents should not apply when there has been marking with the patent number. Perhaps it is true that such marking provides the licensee with additional protection from competitors, thus making it seem all the more unfair to allow him to repudiate his obligations. However, it must be noted that the Supreme Court in Lear conceded that patent invalidity does not amount to total failure of consideration, but nonetheless held that patent invalidity must be made a complete defense to the obligation to pay royalties. We cannot say that the additional consideration or 'benefit' flowing to the licensee who marks his products with the patent number is sufficient to make the Lear case and its policy rationale inapplicable.* 433 F. 2d at 59 (emphasis added).

Thus, the Seventh Circuit clearly and expressly recognized that patent marking could not avoid the clear and unequivocal import of *Lear*. As *Lear* confirms, it is well settled that a

monopoly, if it exists at all, can only exist where there is a valid patent. Neither marking the patented item with a patent number nor any other action can alter this inescapable proposition.<sup>11</sup>

Even assuming *arguendo* that a "monopoly in fact" theory could somehow support recovery, and it cannot, the invalidity of plaintiff's patent was nevertheless a basic issue in the lawsuit. If, as is the fact, plaintiff's patent was rendered invalid by an expired patent improperly excluded from evidence, defendant could not possibly have monopolized the market in law or "in fact." Plaintiff or any competitor of defendant would have been perfectly free to market the wrench under the expired and publicly available patent.<sup>12</sup> And even if a "monopoly in fact" somehow existed, the prior art Carpenter patent and other patents excluded from evidence were still crucially relevant to the extent and value of this monopoly.

What the Opinion below accomplishes is to prevent the prompt resolution of patent invalidity and enforcement of the strong public policy which prohibits one from capitalizing on an invalid patent. Instead, the Seventh Circuit requires the payment of tribute to one who has obtained an invalid patent. Indeed, it specifically envisions the future litigation concerning patent validity which *Lear* expressly sought to avoid. If that future litigation results in a holding of invalidity, as defendant contends it must, then plaintiff will have received a \$1,000,000 windfall, unless this Court grants review.

11. The Court of Appeals misplaces reliance on *Kewanee Oil Co. v. Bicron Corp.*, 416 U. S. 470, 482 (1974). That decision merely recognized that a trade secret is protectable and that trade secret theory may exist coextensively with the patent laws. That decision is not apposite here for plaintiff concedes he did not have a trade secret (T 3226-3228).

12. Moreover, even if a "monopoly in fact" theory was nevertheless a viable one, defendant removed the patent number from its wrench in 1971 (R. 59, pp. 2-3, C., Count II, para.'s 23-26). The jury award of money damages as profits through 1976 was, even under the Court of Appeals theory, erroneous for this reason as well.



Since the decision below conflicts with the decisions of this Court and other circuits, defendant asks this Court to issue a writ of certiorari and reverse the decision below.

## II. Plaintiff's Patent Is Invalid as a Matter of Law.

Defendant offered in evidence three charts reproduced here for the Court's convenience. These charts show the single claim in plaintiff's patent in juxtaposition to the structure shown in his patent and those of the prior art Carpenter and Gonzalez patents, respectively (DX 35, 36, 37).<sup>13</sup> The structural elements on the respective charts were colored by defendant's expert witness to show corresponding elements in corresponding colors (T. 2475). A simple comparison of plaintiff's claim with the structures of the Gonzalez and Carpenter patents reveals that each and every element of plaintiff's claim is present in these prior patents. Plaintiff's patent contains a single claim as follows:

"In a socket wrench  
 a handle (green)<sup>14</sup>  
 a head thereon (green)  
 a driving stud in the head (brown)  
 said stud extending from a side surface of the head  
 a longitudinal passage in said stud  
 a longitudinally movable pin in said passage (blue)  
 an aperture in the stud communicating with the passage  
 a detent element mounted in the aperture (red)  
 the edges of the aperture holding the detent to the stud  
 the detent being normally engaged with a surface of said pin

13. The chart depicting the Carpenter structure and all testimony thereon were excluded from evidence and defendant submitted an offer of proof thereon (T. 2399-2400, 2409-2413, 2416, 2425-2429, 2594, 2600).

14. This color and others referred to below refer to the colors on the charts.

said detent element being held thereby in outwardly located position in order to engage and hold a socket on the stud,

a recess in said pin for selective alignment with said detent element so that the latter is received therein releasing the socket (white)

a spring normally urging the pin to a position where it holds the detent outwardly (black)

said pin extending through the head in a direction opposite the stud and in position to be engaged manually by the operator of the wrench holding the handle to be depressed against the action of the spring to move the pin from detent element holding position to a position wherein said recess receives the detent element (blue)"

Simply, the essential elements of plaintiff's claim are a stud with an opening (brown) carried on a handle (green), a slidable pin in the stud (blue), the pin having a recess to receive a ball detent (red), so as to release the socket when the recess is aligned with the ball, and a spring (black) that holds the ball in position to secure a socket on the stud. As may be seen from the charts the combination of each of these elements is found in Carpenter<sup>15</sup> and Gonzalez, the parts being similarly colored on the charts.

It is well settled that a patent is invalid for anticipation where there are minor differences between the patent claim and prior art. *A fortiori*, a patent is anticipated where, as here, *no* differences between the patent claim and prior art exist and each and every element of the patent claim is disclosed by a prior art patent. As the Court below ruled in *Amphenol Corp. v. General Time Corp.*, 397 F. 2d 431 (7 Cir. 1968):

[A] device to be patentable must possess novelty and invention. Novelty does not exist if the device has been anticipated by a substantially identical prior device where the elements do substantially the same work in substantially the same way. 397 F. 2d at 437.

15. Defendant would note that the Carpenter structure adds a refinement of a leaf spring, the purpose of which is to prevent the detent from sticking when it enters the recess.



Sept. 28, 1965

P. M. ROBERTS

3,208,318

QUICK RELEASE FOR SOCKET WRENCHES

Filed April 24, 1964

March 9, 1965

V. E. GONZALEZ

3,172,675

BALL SOCKET ATTACHMENT FOR IMPACT TOOL

Filed Feb. 19, 1963

2 Sheets-Sheet 2

in a socket wrench

a handle 102

a head thereon 104

a driving stud in the head 14'

said stud extending from a side surface of the head

a longitudinal passage in said stud

a longitudinally movable pin in said passage 36a

an aperture in the stud communicating with the passage 24a

a detent element mounted in the aperture 28a

the edges of the aperture holding the detent to the stud

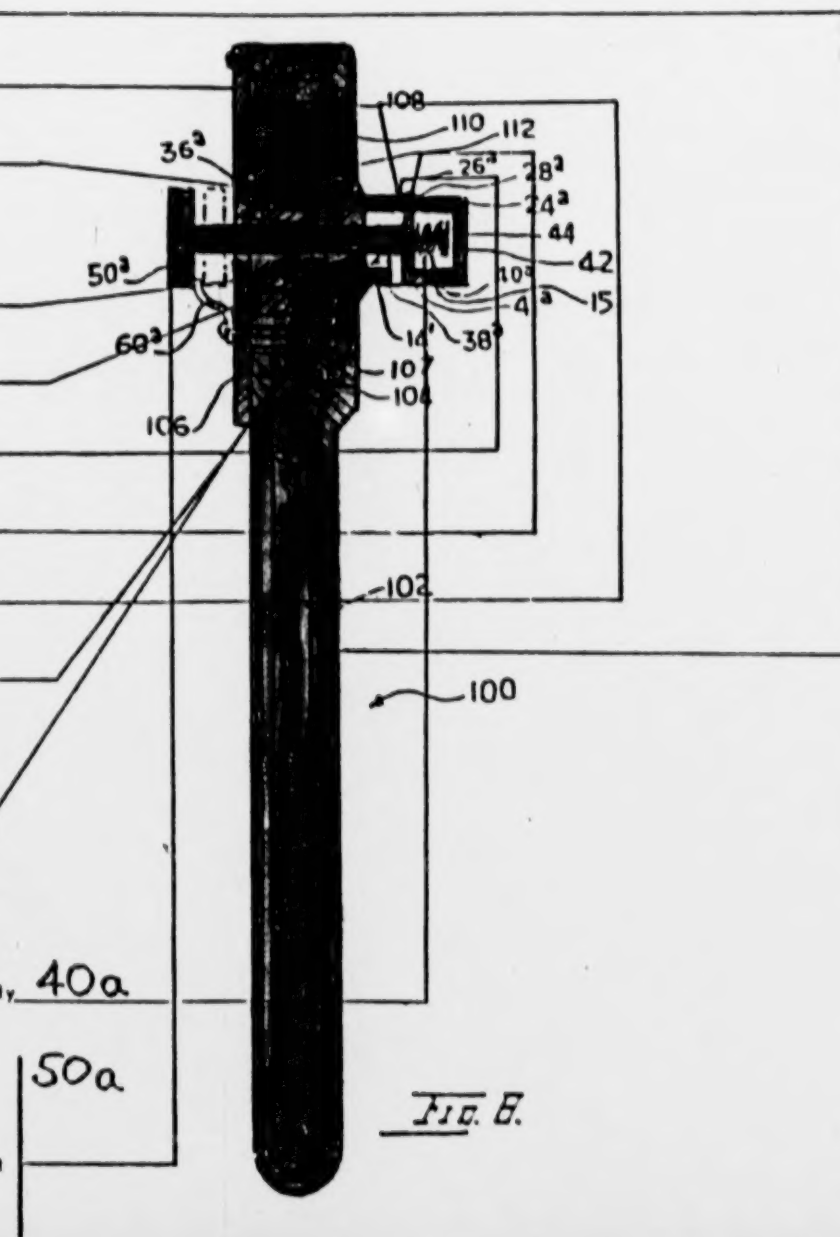
the detent being normally engaged with a surface of said pin

said detent element being held thereby in outwardly located position in order to engage and hold a socket on the stud

a recess in said pin for selective alignment with said detent element so that the latter is received therein releasing the socket

a spring normally urging the pin to a position where it holds the detent outwardly 40a

said pin extending through the head in a direction opposite the stud and in position to be engaged manually by the operator of the wrench holding the handle to be depressed against the action of the spring to move the pin from detent element holding position to a position wherein said recess receives the



Sept. 28, 1965

P. M. NOBLETS

3,208,318

QUICK RELEASE TEE SOCKET WRENCHES

Filed April 24, 1964

In a socket wrench

■ a handle 10

■ a head thereon 12

■ a driving stud in the head 14

said stud extending from a side surface of the head

a longitudinal passage in said stud

■ a longitudinally inovable pin in said passage 20

an aperture in the stud communicating with the passage

■ a detent element mounted in the aperture 18

the edges of the aperture holding the detent to the stud

the detent being normally engaged with a surface of said pin

said detent element being held thereby in outwardly located position in order to engage and hold a socket on the stud

□ a recess in said pin for selective alignment with said detent element 26  
so that the latter is received therein releasing the socket

■ a spring normally urging the pin to a position where it holds the detent outwardly 28

■ said pin extending through the head in a direction opposite the stud and in position to be engaged manually by the operator of the wrench holding the handle to be depressed against the action of the spring to move the pin from detent element holding position to a position wherein said recess receives the



Sept. 28, 1965

P. M. ROBERTS  
QUICK RELEASE FOR SOCKET WRENCHES  
Filed Apr. 24 1964

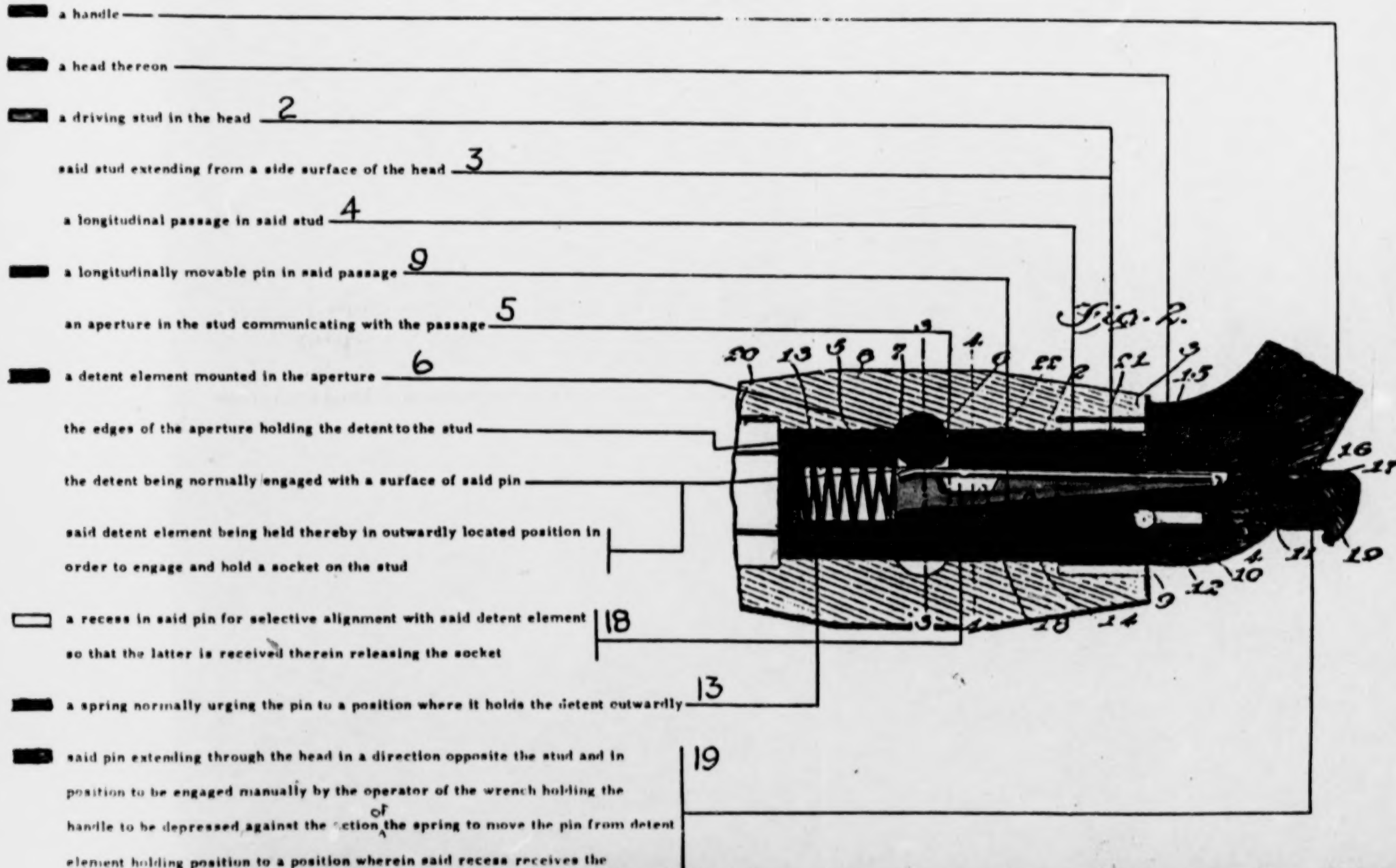
3,208,318

Feb. 28, 1928

E. R. CARPENTER  
ATTORNEY  
Filed Jan. 27, 1927

1,669,889

In a socket wrench



In *Shelco, Inc. v. Dow Chemical Co.*, 466 F. 2d 613 (7 Cir. 1972), *cert. denied*, 409 U. S. 876 (1972), the Seventh Circuit recognized that anticipation applies even if, unlike the case at bar, differences do exist between the patent claim and prior art when it ruled:

*[W]hen the only features distinguishing the purported invention from a prior art product are insubstantial, the earlier may properly be said to anticipate the later product. . . . [I]t is sufficient for anticipation 'if the general aspects are the same and the difference in minor matters is only such as would suggest itself to one of ordinary skill in the art.'* 446 F.2d at 614, 615 (citations omitted, emphasis added).

Similarly, in *Deep Welding, Inc. v. Sciaky Bros., Inc.*, 417 F. 2d 1227 (7 Cir. 1969), *cert. denied*, 397 U. S. 1037 (1970), the Court below reversed a trial court judgment and invalidated a patent because of anticipation, although differences existed between the challenged patent and prior art. The Court ruled:

*[E]ven though the disclosures of the prior art may fall short of "complete anticipation," anticipation may be found where achieving complete anticipation only required that one of ordinary skill in the art merely exercised that skill to complete the work. . . . [W]hile it is preferable that 'all of the elements of the patented device or their equivalents \* \* \* be found in a single prior device,' it is sufficient for anticipation 'if the general aspects are the same and the differences in minor matters is only such as would suggest itself to one of ordinary skill in the art' . . .* 417 F.2d at 1234 (citations omitted, emphasis added).

See also, *E. T. Industries, Inc. v. Whitlaker Corp.*, 183 USPQ 690 (N. D. Ill. 1974), *rev'd on other grounds*, 523 F. 2d 636 (7 Cir. 1975); *Catalano v. Kawneer Co., Inc.*, 185 USPQ 456 (N. D. Ill. 1975); *Ropat Corp. v. West Bend Co.*, 382 F. Supp. 1030 (N. D. Ill. 1974); *Marasco v. Compro Shoe Machinery Corp.*, 325 F. 2d 695 (1 Cir. 1963), *cert. denied*, 377 U. S. 924 (1964); *Monroe Auto Equipment Co. v. Heckethorn Mfg. & Supply Co.*, 332 F. 2d 406 (6 Cir. 1964), *cert. denied*, 379 U. S. 888 (1964).

Thus, even if, contrary to the fact, it could be said that there are minor differences between plaintiff's claim and the disclosures of Carpenter or Gonzales, such differences could not alter the fact that plaintiff's patent is anticipated and invalidated by these earlier patents. Each and every element of plaintiff's claim is found both in Gonzales and Carpenter, thus clearly rendering plaintiff's patent invalid.

And even if, contrary to the fact, it could somehow be said that plaintiff's patent represented an improvement over the prior art, the improvement would be obvious to one ordinarily skilled in the art. Thus plaintiff's patent would still be invalid under Section 103 of the Patent Act (35 U. S. C. § 103), *Popeil Brothers, Inc. v. Schick Electric, Inc.*, 494 F. 2d 162 (7 Cir. 1974), *Pederson v. Stewart-Warner Corp.*, 536 F. 2d 1179 (7 Cir. 1976), *cert. denied*, 429 U. S. 985 (1976), *Sakraida v. Ag Pro Inc.*, 425 U. S. 273, 47 L. Ed. 2d 784 (1976), *Gettleman Mfg. Inc. v. Lawn 'N' Sport Power Mower Sales & Service, Inc.*, 517 F. 2d 1194 (7 Cir. 1975); *Panduit Corp. v. Burndy Corp.*, 517 F. 2d 535 (7 Cir. 1975), *cert. denied*, 423 U. S. 987 (1975); *Skil Corp. v. Lucerne Products, Inc.*, 503 F. 2d 745 (7 Cir. 1974), *cert. denied*, 420 U. S. 974 (1975).

The trial court and the Seventh Circuit improperly refused to pass upon the question of patent invalidity. Under those circumstances, it is well settled that this Court may do so. That is precisely what the Court of Appeals did in *Sinclair Refining Co. v. Jenkins Petroleum Process Co.*, 99 F. 2d 9 (1 Cir. 1938), *cert. denied*, 305 U. S. 659 (1939), cited and discussed at length at pages 12-14 above. As stated in *NCR Corp. v. Eastman Kodak Co.*, 191 USPQ 194 (N. D. Ill. 1976):

*The patent in suit and the prior art relied upon by defendant are not complex and are readily understood. They involve only rudimentary mechanical principles. Thus, the patents can "speak for themselves", and, absent any dispute over the teaching of these patents, this court can make the necessary findings with respect to the state of the prior art and differences between that art and the patent in suit*



*without any further presentation of evidence.* 191 USPQ at 199 (Emphasis added).

Also, in *Maclaren v. B-I-W Group, Inc.*, 535 F. 2d 1367 (2 Cir. 1976), *cert. denied*, 429 U. S. 1001 (1977), the Court held:

... where the material facts are undisputed *or the findings are based on documentary evidence* which we are as competent to appraise as the District Court, we have not hesitated to reject a determination of validity, either because the significance of the facts had not yet been fully perceived by the District Court or there has been an error in the application of legal principles. 535 F.2d at 1371 (citations omitted, emphasis added).

See also, *Graham v. John Deere Co.*, 383 U. S. 1, 15 L. Ed. 2d 545 (1966); *Great A & P Tea Co. v. Supermarket Equipment Co.*, 340 U. S. 147, 95 L. Ed. 162 (1950); 2 *Walker on Patents*, § 105 (Deller's 2d Ed. 1964),<sup>16</sup> to the effect that patent invalidity is a question of law which can be decided by this Court.

Clearly, the trial court and the Court of Appeals should have but refused to pass upon the issue of patent invalidity. These courts completely ignored that patent invalidity was a paramount issue in the case as a matter of law and fact. Had these courts ruled on this issue, they could only have concluded that plaintiff's patent was invalid and could not be the basis for a verdict against defendant under any theory.<sup>17</sup> For this reason, too, this Court should issue a writ of certiorari.

16. Although defendant perceives no fact issue on the question of invalidity, when the trial court refused to rule on this issue as a matter of law, it requested that the issue be submitted to the jury, but the trial court refused this request also (T. 3101-3104). If any factual issue exists, this ruling, too, was error.

17. Although plaintiff's patent was presumed valid, this presumption is rebutted and does not apply where, as here, there is evidence of relevant prior art not cited by the Patent Office. *Simmons Co. v. Hill-Rom Co.*, 352 F. 2d 886 (7 Cir. 1965); *AR, Inc. v. Electro-*

(Footnote continued on next page.)

### III. The Decision of the Court of Appeals Below Contravenes the Law of Illinois.

If plaintiff's patent is invalid, his recovery would be barred by state as well as federal law. Thus, certiorari should be granted for the further and equally compelling reason that the decision below conflicts with the law of Illinois. Under the law, an invalid patent is valueless. As plaintiff himself conceded below, a charge of fraud without damage is not actionable in Illinois (PAB 56). In the absence of a valid patent, that indeed is the case at bar.

In *Finn v. Monk*, 403 Ill. 167, 85 N. E. 2d 701 (1949), the Supreme Court of Illinois reversed a lower court judgment and ruled:

The plaintiffs have not shown how they were damaged. *This is an absolute essential for recovery for fraudulent representations.* It is the law of Illinois as well as that of practically every State. 403 Ill. at 176 (Emphasis added).

Similarly, in *Yates v. Cummings*, 4 Ill. App. 3d 899, 282 N. E. 2d 281 (1972), the Appellate Court of Illinois affirmed a lower court decision that plaintiff had no cause of action for fraud since he was not damaged:

*Proof of actual injury resulting from the representation is a necessary element of the cause of action.* We do not find that sufficient evidence was introduced to show that appellants sustained injury. 4 Ill.App.3d at 903 (citations omitted, emphasis added).

(Footnote continued from preceding page.)

*Voice, Inc.*, 311 F. 2d 508 (7 Cir. 1962); *Senco Products, Inc. v. Fastener Corp.*, 269 F. 2d 33 (7 Cir. 1959), *cert. denied*, 361 U. S. 932 (1960); *Hobbs v. Wisconsin Power & Light Co.*, 250 F. 2d 100 (7 Cir. 1957), *cert. denied*, 356 U. S. 932 (1958); *Chicago Rawhide Mfg. Co. v. Crane Packing Co.*, 523 F. 2d 452 (7 Cir. 1975), *cert. denied*, 423 U. S. 1091 (1976); *Henry Mfg. Co., Inc. v. Commercial Filters Corp.*, 489 F. 2d 1008 (7 Cir. 1972); *Deep Welding, Inc. v. Sciaky Bros., Inc.*, 417 F. 2d 1227 (7 Cir. 1969), *cert. denied*, 397 U. S. 1037 (1970); *NCR Corp. v. Eastman Kodak Co.*, 191 USPQ 194 (ND Ill. 1976).



Also, in *Struve v. Tatge*, 285 Ill. 103, 120 N. E. 549 (1918), the Supreme Court rejected a cause of action for fraud on this basis:

The general rule is that to constitute actionable fraud it must be shown, among other things, that the person who is alleging fraud has thereby suffered an injury, and this, as well as all the other essentials of fraud, must be proved to a reasonable degree of certainty. 285 Ill. at 109.

The Seventh Circuit agrees. Thus, in *Good Brothers, Inc. v. Banowitz*, 269 F. 2d 197 (7 Cir. 1959), plaintiff requested rescission of an agreement because of fraud. The Court reversed a lower court judgment when it ruled:

Under Illinois law, in order to be actionable either in law or a ground for rescission in equity, fraud and injury must concur. *Fraud without damage is not sufficient. Id.* at 203 (citations omitted, emphasis added).

See also, *Jones v. Foster*, 175 Ill. 459, 51 N. E. 862 (1898); *Meenehan v. Rosenfield*, 236 Ill. App. 4 (1925); *Connelly v. Bartlett*, 286 Mass. 311, 190 N. E. 799 (1934). It is clear from the foregoing decisions that the issue of patent invalidity is an essential one to this case.

#### IV. Defendant Was Denied a Fair Trial.

At trial, plaintiff proffered and the trial court received evidence of prior art. The trial court also permitted plaintiff to argue to the jury that his patent was valid (T 195-198, 302-303, 378-380, 736-738, 1441-1443, 1448, 1463, 1513-1516, 1517-1518, 1529, 2302, 3300, 3312-3314, 3316, 3322, 3330, 3331, 3337-3341). But defendant was denied the opportunity to oppose this evidence and argument with the crucial Carpenter patent and other relevant prior art (T 2409-2413, 2416, 2425-2429, 2460-2470, 2594, 2600-2606, 2615, 2747-2749). However, this prior art offered by defendant and rejected by the trial court did not only go to the issue of the invalidity of plaintiff's

patent, as the Court of Appeals erroneously perceived.<sup>18</sup> Contrary to the belief of the Seventh Circuit, the improperly excluded evidence of prior art was also offered by defendant on and relevant to the value of plaintiff's patent (T 2397-2401, 2424-2425, 2600-2606, 2747-2749). A jury award, if any, must necessarily relate to the value of the idea disclosed by the patent. Indeed, even the trial court recognized this basic concept at one point. Thus, before it excluded defendant's proffered evidence of prior art, the trial court initially ruled that:

I have no doubt in my mind that notwithstanding the vehement argument on behalf of the plaintiff to the contrary, the defense has a right to show that what it purchased was something other than what it turned out and that it had anticipated this possibility and had so indicated to the plaintiff's representative. I have no doubt about that. (T 778) (Emphasis added).

While the trial court later ignored this basic point, plaintiff continued to recognize the proposition. Thus, he argued below that the value of his patent was the very nexus of his lawsuit (PB 31, 32).<sup>19</sup>

To exclude evidence proffered by defendant regarding the value of the patent, as the trial court did, obviously contravenes the law and denied the defendant a fair trial. This error was compounded when plaintiff was nevertheless permitted to proffer his evidence regarding prior art (T 195-198, 302-303, 378-380, 736-738, 1441-1443, 1448, 1463, 1513-1516, 1517-1518, 1521, 1529, 2302) and argue to the jury that his patent was valid (T 3300, 3312-3314, 3316, 3322, 3330, 3331, 3337-3341). For these reasons, too, a writ of certiorari is required here.

18. Defendant refers to the Court of Appeals Opinion, at page A10 of the Appendix.

19. Indeed, the trial court instructed the jury that its verdict should be based upon the value of the patent or idea (T. 3469).

**CONCLUSION.**

For each of the reasons set forth above, petitioner respectfully prays that this Court issue a writ of certiorari and thereafter rule that the judgments of the United States Court of Appeals for the Seventh Circuit and of the United States District Court for the Northern District of Illinois must be reversed, and that judgment be entered for defendant. Alternatively, upon reversal of these judgments, this matter should be remanded to the District Court for a new trial.

Respectfully submitted,

BURTON Y. WEITZENFELD,  
ARTHUR L. KLEIN,  
PETER D. KASDIN,  
75th Floor—Sears Tower,  
Chicago, Illinois 60606,  
876-7100,  
*Counsel for Petitioner.*

ARNSTEIN, GLUCK, WEITZENFELD,  
& MINOW,  
75th Floor—Sears Tower,  
Chicago, Illinois 60606,  
876-7100,  
*Of Counsel.*

**APPENDIX.**

IN THE UNITED STATES COURT OF APPEALS  
for the Seventh Circuit

Nos. 77-1354 and 77-1499

PETER M. ROBERTS,  
*Plaintiff-Appellant,*  
*Cross-Appellee,*

vs.

SEARS, ROEBUCK AND COMPANY, a corporation,  
*Defendant-Appellee,*  
*Cross-Appellant.*

Appeal and Cross-Appeal from the United States District Court  
for the Northern District of Illinois, Eastern Division.

No. 69 C 2573—George N. Leighton, *Judge.*

Argued February 14, 1978—Decided April 3, 1978

Before CASTLE, *Senior Circuit Judge*, SPRECHER and BAUER,  
*Circuit Judges.*

SPRECHER, *Circuit Judge.* The major issues in this case are whether the district court properly declined to decide the validity of plaintiff's patent in a suit for fraud, breach of a confidential relationship and negligent misrepresentation in defendant's procurement of an assignment of plaintiff's patent rights

and whether the district court properly concluded that plaintiff had elected his legal remedies and, therefore, was barred from seeking his equitable remedies of rescission and restitution.

# I

This case involves the efforts of one of this nation's largest retail companies, Sears, Roebuck & Co. (Sears), to acquire through deceit the monetary benefits of an invention of a new type of socket wrench created by one of its sales clerks during his off-duty hours. That sales clerk, Peter M. Roberts (Plaintiff), initiated the unfortunate events that led to this appeal in 1963, when at the age of 18 he began work on a ratchet or socket wrench that would permit the easy removal of the sockets from the wrench. He, in fact, designed and constructed a prototype tool with a quick-release feature in it that succeeded in permitting its user to change sockets with one hand. Based on that prototype, plaintiff filed an application for a United States patent. In addition, since he was in the employ of Sears, a company that sold over a million wrenches per year, and since he had only a high school education and no business experience, he decided to show his invention to the manager of the Sears store in Gardner, Massachusetts where he worked. Plaintiff was persuaded to submit formally his invention as a suggestion to Sears. In May 1964, the prototype, along with a completed suggestion form, was sent to Sears' main office in Chicago, Illinois. Plaintiff, thereafter, left Sears' employ when his parents moved to Tennessee.

It was from this point on that Sears' conduct became the basis for the jury's determination that Sears appropriated the value of the plaintiff's invention by fraudulent means. Plaintiff's evidence proved that Sears took steps to ascertain the utility of the invention and that based on the information it acquired, Sears became convinced that the invention was in fact valuable. Sears had two sets of tests run on plaintiff's wrench by its

custom manufacturer of wrenches, Moore Drop Forging Co. (Moore). The first test was conducted in July 1964, and it proved that the wrench operated normally and that the quick-release feature did not substantially weaken the structure of the wrench. The second test, conducted in May 1965, showed that actual mechanics liked the quick-release feature. Moore reported the results of these tests to Sears.

Based presumably on these tests, and the expert opinion of its senior tool buyer, Arthur Griesbaum, Sears in March 1965, had Moore design a fine-tooth wrench with the quick-release feature built into it. In addition, at about the same time, Sears put in motion plans to incorporate the quick-release feature into then-existing wrench models that constituted 74.27 percent of all the wrenches Sears sold. Thus, by early 1965, it was clear to Sears that this invention was very useful and probably would be quite profitable.

Sears also received reports from Moore regarding the manufacturing cost of plaintiff's quick-release feature. In the initial prototype built by Moore, the cost was 44 cents per unit. By June of 1965, Sears had received a report indicating that the cost could be reduced to 20 cents per unit. Thus, early in 1965, Sears learned that the feature was relatively inexpensive to manufacture.

Sears also took pains to ascertain the patentability of the quick-release feature. In April 1965, it received outside patent counsel's advice that there was "some basis for limited patentability" (defendant's Exhibit 9). It had previously learned in February 1965 from plaintiff's lawyer, Charles Fay, that he believed the invention was patentable based on a limited search. In addition, Sears was informed in early May 1965, by plaintiff's lawyer that a patent had been issued to plaintiff.<sup>1</sup>

1. We might note here that Mr. Fay contacted Sears before informing plaintiff that a patent had issued. In addition, it was shown that Sears had contacted Mr. Fay during the period of these negotiations about doing some work for it and that he, in fact, did perform a couple of routine matters for Sears, thus raising some doubt about the independence of his advice to plaintiff.



With all of this information either available or soon to be available, Sears contacted plaintiff in January 1965, and began negotiations regarding the purchase of rights to use plaintiff's invention. During these negotiations, conducted with plaintiff's attorney, Sears' lawyer, Leonard Schram, made various representations to plaintiff that serve as the essential basis for plaintiff's complaint. In April 1965, in a letter seeking merely a license, Schram first told plaintiff that the invention was not new and that the claims in any patent that would be permitted would be "quite limited" (plaintiff's Exhibit 34). Second, Schram told plaintiff that the cost of the quick-release feature would be 40-50 cents. Third, he told plaintiff the feature would sell only to the extent it would be promoted and thus \$10,000 was all that the feature was worth. Finally, and perhaps most ironically, Schram wrote to plaintiff that "[o]nce we have paid off the royalty expense, then we would probably take the amount previously allocated to said expense and use it for promotional expenses *if we desire to maintain sales on the item.*" (Emphasis added.)

Based on this letter, plaintiff entered into the agreement on July 29, 1965, which provided for a two cent royalty per unit up to a maximum of \$10,000 to be paid in return for a complete *assignment* of all of plaintiff's rights. In fact, for no extra charge, plaintiff's attorney gave Sears all of plaintiff's foreign patent rights. A provision was included in the contract regarding what would happen if Sears failed to sell 50,000 wrenches in a given year, thus reinforcing the impression that the wrenches might not sell very well. Also, a provision was inserted dealing with the contingency that a patent might not be issued, notwithstanding that Sears already knew, and plaintiff did not, that the patent had been granted.

By July, Sears knew that it planned to sell several hundred thousand wrenches with a cost per item increase of only 20 cents, that a patent had issued and that this product in all likelihood would have tremendous appeal with mechanics. Nonethe-

less, it entered into this agreement both having failed to disclose vital information about the product's appeal and structural utility and having made representations to plaintiff that were either false at the time they were made or became false without disclosure prior to the time of the signing of the contract.

Within days after the signing of the contract, Sears was manufacturing 44,000 of plaintiff's wrenches per week—all with plaintiff's patent number prominently stamped on them—and within three months, Sears was marketing them as a tremendous breakthrough. Within *nine months*, Sears had sold over 500,000 wrenches and paid plaintiff his maximum royalty thereby acquiring all of plaintiff's rights. Between 1965 and 1975, Sears sold in excess of 19 million wrenches, many at a premium of one to two dollars profit because no competition was able to market a comparable product for several years. To say the least, plaintiff's invention has been a commercial success.

Plaintiff, a Tennessee resident, filed suit against Sears, an Illinois Corporation, in federal district court in December 1969, based on diversity jurisdiction, seeking alternatively return of the patent and restitution or damages for fraud, breach of a confidential relationship and negligent misrepresentation. A jury trial was held from December 20, 1976, until January 18, 1977. During the trial, plaintiff basically proved the facts as presented above. Sears argued that it did not misrepresent any facts to plaintiff, that he had a lawyer and thus there was no confidential relationship and that the success of the wrenches was a function of advertising and the unforeseeable boom in do-it-yourself repairs, and thus Sears did not misrepresent the salability of plaintiff's wrenches. The jury was instructed on each of the three counts in plaintiff's complaint and told that it could award plaintiff profits<sup>2</sup> for Counts I and II and could

2. The court instructed the jury on damages for Counts I and II, fraud and breach of confidential relationship, as follows:

The award of money damages you make may equal the net profits which you find the defendant gained as a result of its

(Footnote continued on next page.)

consider a reasonable royalty as a remedy for Count III. The jury apparently believed the plaintiff's evidence because it found Sears guilty on all three counts and entered judgment for one million dollars on each count, but the award was not cumulative.

Both parties filed post-trial motions. Sears filed for judgment NOV and plaintiff sought rescission of the contract and restitution. The district court denied both motions holding as to Sears' motion that the jury verdict was in accordance with the evidence and that the damages award was reasonable and holding as to plaintiff's motion that when he permitted the case to go to the jury he had elected his legal remedy and could not later also seek his equitable relief. Plaintiff appealed seeking equitable relief and Sears cross-appealed the one million dollar judgment against it. Since Sears' cross-appeal raises basic issues of liability, we will deal with it first. We will subsequently consider plaintiff's appeal on the issues of the appropriate remedy.

## II.

Sears' primary argument in its cross-appeal is that the district court erred in not determining conclusively the validity of plaintiff's patent as a precondition to trying plaintiff's claims for fraud, breach of a confidential relationship and misrepresentation. Relying on *Lear, Inc. v. Adkins*, 395 U. S. 653 (1969), Sears contends that if the district court had concluded that the patent was invalid, then plaintiff could not have been injured by any fraud Sears may have committed since it paid \$10,000 for a "worthless" invention.

(Footnote continued from preceding page.)

merchandising of wrenches incorporating Plaintiff's quick release invention and idea, minus any expenditures which you find the defendant has proved it incurred which it would have incurred had it not merchandised such wrenches incorporating plaintiff's quick release invention and idea from the time of the contract in question to the present.

(Tr. at 3469).

Sears' analysis, however, misconceives the Supreme Court's holding in *Lear*. There the Court held that a patent licensee was not estopped to contest the validity of the licensor's patent, and, in fact, was not required to pay the contractually-provided royalties for the license on the invalid patent during the pendency of the litigation. Contrary to Sears' implication, the *Lear* Court did not hold that the potentially invalid patent was worthless and thus the royalties offered in exchange for the right to use that patent would be unjustified. Instead, the Court explicitly recognized that there was significant economic value in the rights to an unchallenged patent. 395 U. S. at 669. In this regard the Court stated that "the existence of an unchallenged patent may deter others from attempting to compete with the licensee," thereby creating a monopoly in fact if not in law. *Id.*<sup>3</sup>

Other courts have also acknowledged that significant economic value attaches to the rights to an uncontested patent. The Supreme Court recognized this recently in an opinion by Chief Justice Burger: "[E]ven though a discovery may not be patentable, that does not 'destroy the value of the discovery . . .'" *Kewanee Oil Co. v. Bicron Corp.*, 416 U. S. 470, 482 (1974). Similarly, this court has held that "[w]hile there are paradoxical aspects of allowing recovery to arise from illegal interference with the sale of something which ultimately was proven to have no sales value, it cannot be said that there was no such value during the period of the presumptive validity of the patent." *Moraine Products v. ICI America, Inc.*, 538 F. 2d 134, 149 (7th Cir. 1976).<sup>4</sup>

3. This valuable benefit was available even in the case of a non-exclusive license because the royalty charged to the licensee "serves as a barrier to entry." 395 U. S. 669 n.16.

4. The court subsequently defined more specifically the nature of the economic value created by the uncontested patent during the period of its presumptive validity:

While Moraine was the holder of a presumptively valid patent, it could legally entertain the expectation, unless it had in some manner deprived itself thereof, of receiving royalties from licensing arrangements which in final analysis are agreements in

(Footnote continued on next page.)



The facts of this case, by themselves, make abundantly clear both that Sears believed that the uncontested patent had significant economic value as a deterrent to competitors and that the patent, in fact, did serve to deter competitors. Sears had the patent number stamped on all of its wrenches with plaintiff's quick-release feature, which presumably was done for the purpose of scaring off competitors. Also, Sears' competitors did not enter this lucrative market for several years after it became clear that this product had genuine sales appeal, which can only be explained by the existence of the patent.

It is at least somewhat disingenuous for Sears to argue before this court that plaintiff's patent was valueless when it made every effort in its marketing to exploit the economic value of the uncontested patent, received the benefits of a factual monopoly for several years because of that uncontested patent and to this day has refused to return the patent rights to plaintiff in return for the \$10,000 originally paid to acquire these "valueless" rights. We, therefore, have little difficulty finding that Sears' deception caused plaintiff to be injured in fact.

The issue remains whether the public interest, recognized in *Lear*, in having patent validity challenged is of such significance that we should extend *Lear* to cover this case. The *Lear* Court held that a licensee should be permitted to contest the validity of a licensor's patent because "[l]icensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery." 395 U. S. at 670. Thus, the Court feared that if licensees "are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification." *Id.*<sup>5</sup>

(Footnote continued from preceding page.)

which the licensee is purchasing the right to be free from infringement litigation, which Moraine did have to sell during the period of validity.

538 F. 2d at 149.

5. The policy against deterring licensees from attacking the validity of the licensor's patent also justified not requiring the licensee

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We believe that the reasoning in *Lear* does not extend to this case for two reasons. First, we deal here with a complete assignment of plaintiff's patent rights to Sears. See generally *Heltra, Inc. v. Richen-Gemco, Inc.*, 395 F. Supp. 346, 352 (D. S. C. 1975), *rev'd on other grounds*, 540 F. 2d 1235 (4th Cir. 1976); Arnold & Goldstein, *Life Under Lear*, 48 TEXAS L. REV. 1235, 1244 (1970). Thus, the primary evil that the Court in *Lear* sought to end—that the public might have to pay tribute to a "would-be monopolist"—is completely irrelevant to this case. Plaintiff has no legal basis for exacting any "tribute" until the patent rights are returned to him. At that point in time, the patent's validity can be tested either in an infringement suit or after plaintiff enters into a licensing agreement. The public's interest would not be injured by our decision to bar Sears from contesting this patent at this time.

Second, and perhaps even more fundamentally, the Court's analysis in *Lear* initiated with an assessment of "the spirit of contract law, which seeks to balance the claims of promisor and promisee in accord with the requirements of *good faith*." 395 U. S. at 670 (emphasis added). Only after the Court satisfied itself that the equities were balanced on each side did it proceed to a consideration of the needs of patent law and the public interest. Sears' actions in this matter have violated completely the basic assumption in *Lear* that there was good faith in the dealings between the parties. There is no balance of equities between Sears and plaintiff in their contractual relations. For

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to pay royalties under the license agreement during the litigation. The Court reasoned:

Enforcing this contractual provision would give the licensor an additional economic incentive to devise every conceivable dilatory tactic in an effort to postpone the day of final judicial reckoning. . . . [T]he cost of prosecuting slow-moving trial proceedings and defending an inevitable appeal might well deter many licensees from attempting to prove patent invalidity in the courts.

395 U. S. at 673.

this court to employ the public interest in patent law to sanction Sears' conduct is unjustifiable. Certainly nothing in patent law requires this court to permit fraud to go unremedied. *Cf. Kewanee Oil Co. v. Bicron Corp.*, 416 U. S. 470, 487 (1974) (nothing in patent law discourages states from preventing industrial espionage). We, therefore, hold that the district court properly concluded that *Lear, Inc. v. Adkins*, is no bar to plaintiff's recovery.

### III.

Having determined that the district court properly declined to decide the validity of the plaintiff's patent, we can readily dispose of Sears' second contention in its cross-appeal. Sears argues that the district court erred in not permitting the introduction of certain evidence dealing with the prior art surrounding plaintiff's invention. Sears, however, attempted to introduce all of the prior art evidence at issue (defendant's Exhibits 25, 26, 29, 33, 34, 39, 40, 41, 42 and 43) for the purpose of proving that the patent was invalid. Since that contention was irrelevant to the case, it seems, *a fortiori*, that the materials introduced to prove it must also be deemed irrelevant to this case.

Sears, however, argues that the district court recognized that patent validity was a relevant issue. By citing materials out of context, Sears has severely mischaracterized the district court's analysis. During the trial, the district court properly recognized that some evidence of prior art was relevant for the issue of Sears' intent. Prior art was relevant to the limited extent that if Sears could prove it knew about the prior art at the time it was negotiating with plaintiff then the jury might conclude that Sears had not intentionally deceived plaintiff about the novelty and value of his invention.

The best example of this reasoning by the district court was with regard to the Carpenter patent (defendant's Exhibit 29). In considering its relevance the court asked when Sears had become aware of the patent. Counsel for Sears stated that the

Carpenter patent was not discovered until 1971, after the law suit was initiated (Tr. at 2409). Since it was clear that the Carpenter patent had not entered into Sears' assessment of the value of plaintiff's invention when it made its representations to plaintiff, the district court properly concluded the patent was irrelevant and refused to admit it into evidence (Tr. at 2425). We have examined the record concerning the other prior art evidence that was not admitted and about which Sears complains, and we conclude that the district court properly applied its rule of limited relevance and thereby correctly excluded all of it.

### IV.

Sears' final argument in its cross-appeal is that plaintiff failed to prove the existence of a confidential relationship between himself and Sears. In assessing that argument, we recognize at the outset that there are no hard and fast rules for determining whether a confidential relationship exists. *See G. BOGERT, THE LAW OF TRUSTS AND TRUSTEES* § 482 (2d ed. 1960). The trier of fact must examine all of the circumstances surrounding the relationship between the parties and determine whether "one person reposes trust and confidence in another who thereby gains a resulting influence and superiority over the first." *Kester v. Crilly*, 405 Ill. 425, 91 N. E. 2d 419, 423 (1950).

Various factors have been recognized judicially as being of particular relevance to that inquiry. Among them are disparity of age, education and business experience between the parties. *Melish v. Vogel*, 35 Ill. App. 3d 125, 343 N. E. 2d 17, 26 (1975). Additional factors are the existence of an employment relationship and the exchange of confidential information from one party to the other. *See Yamins v. Zeitz*, 322 Mass. 268, 76 N. E. 2d 769, 772 (1948). All five of those factors are present in this case. In addition, one of Sears' witnesses admitted that the company expected plaintiff to "believe" and to "rely" on various representations that Sears made to him (Tr. at 1981). Obviously, this question is best left to the trier

of fact, and this court under any circumstances would hesitate to disturb the jury's findings. That hesitation is especially strong here where so many factors suggest that a confidential relationship in fact existed.

Sears argues, however, that there are two factors involved here that eliminate any possible confidential relationship. They are that plaintiff never proved that Sears had knowledge of the confidential relationship upon which plaintiff was relying and that plaintiff retained counsel to guide him, and therefore, did not rely on Sears. We find neither factor sufficient to justify overturning the jury's verdict on this issue.

Sears cites several cases that emphasize that a confidential relationship cannot be thrust upon an unknowing party. *See Broomfield v. Kosow*, 349 Mass. 749, 212 N. E. 2d 556 (1965); *Yamins v. Zeitz*, *supra*; *Comstock v. Livingston*, 210 Mass. 581, 97 N. E. 106 (1912). That proposition, however, does not lead to the conclusion that a plaintiff must demonstrate by direct evidence that the defendant actually was aware of the confidential relationship. All that must be proved is that the parties engaged in activities under circumstances that created a confidential relationship and that defendant breached that relationship.

In the cases cited by Sears, all of the circumstances surrounding the transactions that were being attacked suggested an arms-length arrangement, and thus the plaintiffs in those cases attempted to thrust a confidential relationship on the unknowing defendants after the fact. Here, Sears' knowledge is circumstantially proved by all of the facts surrounding its dealings with plaintiff. In addition, as suggested above, there was direct testimony to the effect that Sears expected plaintiff to rely on its representations.<sup>6</sup>

6. Sears also argues that the district court failed to instruct the jury on the issue of Sears' knowledge of the confidential relationship. In view of our holding that knowledge does not have to be proved as an element of the tort, we find no basis for requiring any specific mention of this factor. In our views the district court's instructions on the confidential relationship issue were proper.

With regard to the existence of counsel representing plaintiff, we conclude that that is merely one factor to be considered along with all of the others. In fact, once plaintiff established the existence of confidential relationship through proof of the five factors previously discussed, the burden was on Sears to prove that plaintiff had competent and independent advice. *See Jones v. Washington*, 412 Ill. 436, 107 N. E. 2d 672, 674 (1952). The judge instructed the jury on this issue (Tr. at 3467) and it obviously rejected Sears' argument. There is no basis for this court to disturb that determination. Thus, we conclude that a jury could reasonably find that a confidential relationship existed between the parties and that Sears breached its duties created by that relationship.

For all of the above-stated reasons, we find no merit to any of the issues raised in Sears' cross-appeal. We, therefore, affirm the district court's judgment of liability against Sears on all three counts of plaintiff's complaint.

#### V.

Plaintiff, in his appeal, seeks review of the district court's decision that he elected his legal remedies by taking the case to the jury, and therefore, is barred from pursuing his equitable remedies of rescission and restitution. Plaintiff argues that the district court, as a court of equity, should have accepted the jury's liability determination, but should have disregarded its damages verdict and instead should have granted rescission and restitution.<sup>7</sup>

7. Plaintiff asks this court to leave undisturbed his one million dollar judgment in Count III, negligent misrepresentations, because that is an action at law and therefore was properly given to and decided by the jury.

As to Counts I and II, plaintiff claims that the evidence proves that Sears' profits on the sale of quick-release wrenches was in excess of 40 million dollars. Sears argues that that figure is based on a misinterpretation of Sears' sales techniques. Given our disposition of this case, we need not resolve this dispute, although we do agree with the district court that the jury's damage award was not unreasonable.



Before considering the substance of the doctrine of election of remedies, we should determine what law, state or federal, should control our decision. Sears relies almost exclusively on Illinois decisions in arguing that after plaintiff takes his case to the jury in a court of law he cannot thereafter seek rescission of the contract from a court of equity. We, however, conclude that federal courts are not bound by the Illinois election of remedies doctrine.

The choice of law issue in diversity cases, where no Federal Rule of Civil Procedure clearly controls, is governed by the Rules of Decision Act, 28 U. S. C. § 1652.<sup>8</sup> See generally Redish & Phillips, *Erie and the Rules of Decision Act: In Search of the Appropriate Dilemma*, 91 HARV. L. REV. 356, 357-58 (1977); Ely, *The Irrepressible Myth of Erie*, 87 HARV. L. REV. 693, 697-700 (1974). In interpreting that Act, at least one circuit has recognized that where a state procedural rule is derived from a judicial system that is fundamentally inconsistent with the federal judicial system, then the state rule need not be slavishly adhered to by a federal district court. *Atkins v. Schmutz Mfg. Co.*, 435 F. 2d 527 (4th Cir. 1970), cert. denied, 402 U. S. 932 (1971). See also Redish & Phillips, *supra* at 391 n. 189.

Under the Illinois cases cited by Sears, a plaintiff had to elect his remedies at the time of filing suit because Illinois had retained separate courts of equity and courts of law. See, e.g., *Carr v. Arnold*, 239 Ill. 37, 87 N. E. 2d 870 (1909). In federal courts, however, the distinction between law and equity has long been abolished. FED. R. CIV. P. 2. It would be anomalous to follow a state rule created under a judicial system so at odds with that of the federal system. In fact, it might be argued that

8. The Act provides:

The laws of the several states, except where the Constitution or treaties of the United States or Acts of Congress otherwise require or provide, shall be regarded as rules of decision in civil actions in the Courts of the United States, in cases where they apply.

28 U. S. C. § 1652.

such a holding would violate Rule 2, in which case state law, of course, would be disregarded. See *Hanna v. Plumer*, 380 U. S. 460, 469-74 (1965). We, therefore, feel no compunction in declining to follow Illinois law on this issue.<sup>9</sup>

Having determined that the district court is not bound by the rigid requirements of Illinois law on election of remedies, there remains the question whether plaintiff can still pursue his equitable remedies under the facts of this case. We conclude that the district court correctly decided not to disturb the jury's monetary award, but that the court erred in not considering whether rescission of the contract and return of plaintiff's patent were appropriate.

The general rule as to when an election is necessary is that "a certain state of facts relied on as the basis of a certain remedy is inconsistent with, and repugnant to, another certain state of facts relied on as the basis of another remedy." *Prudential Oil Corp. v. Phillips Petroleum Co.*, 418 F. Supp. 254, 257 (S. D. N. Y. 1975). Here, the jury was instructed that plaintiff could receive profits for Counts I and II, fraud and breach of a confidential relationship.<sup>10</sup> Apparently dissatisfied with the size of the jury verdict, plaintiff sought in a post-trial motion to have the court reconsider the evidence and award relief based on essentially the same standard the jury used. To have granted plaintiff's request would have been completely un-

9. This result accords with the approach recently suggested in Redish & Phillips, *supra*. The authors in that article suggest that the best approach to Rules of Decision Act cases is to examine the policy underlying the state rule to determine if it affects primary conduct, is intended to benefit one class of litigants over another or is merely the state's evaluation of the most efficient way to handle its docket. *Id.* at 394-96. The Illinois rule separating the courts would appear to fall within the third category. In such a situation, the authors conclude, "The federal diversity court should be permitted to adopt or reject such rules since, as noted previously, it retains some interest in regulating its own internal procedures." *Id.* at 395. We agree with that conclusion.

10 See note 2 *supra*.

fair to Sears.<sup>11</sup> It might have been better for the court to require the plaintiff to elect his remedy expressly prior to instructing the jury, but plaintiff did not object to the court's procedure, and therefore, must have been satisfied to let the jury determine the appropriate award. Having let the case go to the jury without getting the issue clarified, plaintiff should not be heard to complain about the outcome of that procedure.

With regard to an election between the profits awarded by the jury and return of the patent based on rescission, however, we see no basis for invoking the election of remedies doctrine. Based on the jury instruction, plaintiff will receive one million dollars as the measure of *past* profits earned by Sears up to the time of trial. That award, however, is not inconsistent with return of the patent so that plaintiff can receive the *future* benefits of the patent that Sears fraudulently acquired. There will be neither a double recovery nor a factual inconsistency between these remedies. See *Prudential Oil Corp.*, *supra* at 257; G. BOGERT, *THE LAW OF TRUSTS AND TRUSTEES* § 946 (2d ed. 1962). Therefore, we conclude that going to the jury under a past profits instruction did not bar plaintiff from seeking rescission and thereby possibly recovering his patent. Whether rescission is appropriate, however, is an issue that should be decided in the first instance by the district court.

For the reasons stated above, we affirm the district court's judgment against Sears on all three counts in plaintiff's complaint and the court's decision not to alter plaintiff's monetary award, but reverse the court's determination that it lacked the power to award rescission and remand to the district court for a determination of whether rescission is appropriate under the facts of this case.

AFFIRMED IN PART; REVERSED IN PART; and REMANDED

11. The district court reasoned that such an approach would create the type of res judicata problems mentioned in our earlier decision in *Federal Savings & Loan Ins. Corp. v. American Nat'l Bank & Trust Co.*, 392 F. 2d 906 (7th Cir. 1968). While we do not perceive any basis for a claim of res judicata or even a double recovery problem, we do believe it would have been unfair to disturb the jury's award, and, therefore, agree with the district court's decision not to do so.

# OPINION BY JUDGE SPRECHER

UNITED STATES COURT OF APPEALS

For the Seventh Circuit

Chicago, Illinois 60604

April 3, 1978.

Before

HON. LATHAM CASTLE, *Senior Circuit Judge.*

HON. ROBERT A. SPRECHER, *Circuit Judge*

HON. WILLIAM J. BAUER, *Circuit Judge*

PETER M. ROBERTS,  
*Plaintiff-Appellant,*  
*Cross-Appellee,*

Nos. 77-1354, 77-1499,

vs.

SEARS, ROEBUCK AND COMPANY, a  
corporation,  
*Defendant-Appellee,*  
*Cross-Appellant.*

Appeals from the  
United States Dis-  
trict Court for the  
Northern District of  
Illinois, Eastern Di-  
vision.

These causes came on to be heard on the transcript of the record from the United States District Court for the Northern District of Illinois, Eastern Division, and were argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the judgment of the said District Court in these causes appealed from be, and the same is hereby, **AFFIRMED IN PART; REVERSED IN PART;** and **REMANDED**, in accordance with the opinion of this court, filed this date. Sears, Roebuck and Company shall bear two-thirds of the costs on these cross appeals; Peter M. Roberts the other one-third.